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TONTINE

CHINA TONTINE WINES GROUP LIMITED

中國通天酒業集團有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 389)

**MEMORANDUM OF UNDERSTANDING
REGARDING A POSSIBLE ACQUISITION/INVESTMENT**

This announcement is made by China Tontine Wines Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

PROPOSED TRANSACTION

The board of directors of the Company (the “**Board**” or the “**Directors**”) wishes to announce that, on 21 August 2017 (after trading hours), 通化通天酒業有限公司 (Tonghua Tongtian Winery Co., Ltd.*), a wholly-owned subsidiary of the Company, entered into a memorandum of understanding (the “**MOU**”) with certain parties (the “**Potential Vendors**”) for the possible acquisition by it (or the Company’s subsidiary or affiliated company) of certain equity interests and/or investment (the “**Proposed Transaction**”) in 北京網酒網電子商務股份有限公司 (Beijing Wangjiu Electronic Commerce Co., Ltd.*) (the “**Target**”) (with the Target joined in as a party to the MOU to signify its acknowledgement of the terms of the MOU) at the consideration to be mutually agreed.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, each of the Potential Vendors and (if applicable) its ultimate beneficial owner(s) are independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

Under the MOU, the Group intends to acquire and the Potential Vendors intend to sell or procure the sale of certain equity interests in the Target, and the consummation of the Proposed Transaction may result in the Group acquiring approximately 25.53% equity interests in the Target.

INFORMATION ON THE TARGET

The Target is a limited liability company established in Beijing, the People's Republic of China (the "PRC"). Being an e-commerce website positioning in the high-end wine consumption sector in the PRC, it upholds the mission of offering high-end wine with professional and all-round services to the high consumption groups in the PRC. It is established as the first-ever vertical professional platform of wine in the PRC by means of video digital multimedia and mobile internet.

Along with the progressively mature marketing platforms which have 5 million online consumers and 3,000 core collaborators and under the comprehensive layout of retail outlet system, the Target has, through years of efforts, accumulated abundant operating resources and developed mature operating capability.

CONDITIONALITY OF THE PROPOSED TRANSACTION

The Proposed Transaction, if it proceeds, is expected to be subject to, among other things, various conditions to be agreed and the signing of a legally binding definitive agreement (the "**Formal Agreement**") by the parties to the MOU. Completion of the Proposed Transaction is expected to be conditional on the following principal conditions and such other conditions as may be agreed by the parties to the MOU:

- the Group being satisfied with the results of the due diligence investigation to be conducted on the Target;
- the capital contribution required to be made by each shareholder to the Target have been timely made in full in accordance with the requirements of the articles of the Target and maintained since such capital contribution was made and warranty to such effect having been given by the Target and the Potential Vendors;
- the Potential Vendors will, in aggregate, hold not less than 41.6823% of the equity interests in the Target prior to the signing of the Formal Agreement;
- all necessary consents, permissions and approvals from shareholders and/or directors and/or third parties for effecting the Proposed Transaction having been obtained;
- application by the Target to the relevant telecommunication administrative authority in the PRC of the change in the scope of permitted business under the value-added telecommunication business license (增值電信業務許可證) held by it to the business of "Online Data Processing and Transaction Processing Business (Operating E-commerce) (在線數據處理與交易處理業務 (經營類電子商務))" or its inclusion in such business licence having been made and completed;
- approval or registration of the transfer of equity interest in the Target by the relevant approval authorities of the PRC or (if it involves the acquisition/investment by a foreign entity designated by the Group) the approval from the relevant industry and information authorities and commerce authorities of the PRC for the conversion of the Target into a foreign-invested value-added telecommunications operating company) having been obtained or completed;

- all necessary consents, authorizations, waivers and/or approvals required under the laws, rules and regulations (including the Listing Rules) applicable to the Group or as required by The Stock Exchange of Hong Kong Limited or other governmental or regulatory authorities to give effect to the Proposed Transaction having been obtained or waived (as the case may be) or complied with by the Group;
- (if necessary) the shareholders of the Company having approved the entering into of the Formal Agreement and the contemplated transactions at a special general meeting of the Company in accordance with the applicable laws, rules and regulations (including the Listing Rules);
- the Group being satisfied that the representations and warranties given by the counterparty(ies) and the Target in respect of the Proposed Transaction are and remain to be true and correct in all material respects as at the completion of the Proposed Transaction;
- the obtaining of a legal opinion from the legal advisers to the Target (in form and substance satisfactory to the Group); and
- the implementation of the Proposed Transaction will not violate or contravene or cause the violation or contravention of any applicable laws, rules and regulations to which the Target (or the assets held by the Target) or the Potential Vendors are subject, or any investment or material contracts to which the Target or any of the Potential Vendors is a party (unless the necessary waiver is obtained).

EXCLUSIVITY

Under the MOU, the Group has been granted an exclusive right to negotiate with the counterparties to the MOU (including the Target) the detailed terms and conditions of the Formal Agreement for a period of 180 days from the date of the MOU (or such later date as the parties to the MOU may agree) (the “**Exclusivity Period**”) and is allowed to conduct such legal, financial, business and other due diligence review on or matters relating to the Target.

During the Exclusivity Period, the Target and the Potential Vendors will not, among other things, sell, transfer, dispose of, encumber or otherwise deal in all or any part of the equity interest in the Target which is the subject of the Proposed Transaction or enter into, facilitate or participate in any negotiations or discussions, solicit or initiate the submission of any proposal or offer of any nature with any person(s) other than the Group in relation to such equity interest in the Target.

The parties to the MOU will negotiate in good faith to agree on the terms of the Formal Agreement governing the Proposed Transaction and endeavour to sign the Formal Agreement before the expiry of the Exclusivity Period.

PROPOSED ADVANCE TO THE TARGET

Under the MOU, it is agreed that, following the signing of the MOU and subject to the execution of the necessary loan and security documentation, the Group may grant to the Target a loan in the amount to be agreed with the Target. Unless otherwise agreed by the Group, the loan, if granted, will only be permitted to be used as general working capital of the Target for its operation, and will be secured by personal guarantee(s) given by and/or the pledge of certain equity interests (free from encumbrances) held by the Potential Vendors. The Group is at liberty to decide whether the loan advanced will be used to set off (in whole or in part) the consideration payable by it under the Proposed Transaction (if implemented). In such event, the Group, the Target and the Potential Vendors will enter into the necessary documentation to effectuate the arrangements.

FUTURE PLANS

If the Proposed Transaction is materialised and consummated pursuant to the Formal Agreement, the Group may (so far as it is practicable and legally permissible) at liberty to make further investment in the Target by way of additional capital contribution, assets injection or other means so as to further bring up its equity interests, and acquire a controlling stake, in the Target. To achieve the objective, the Target and the Potential Vendors shall agree to use their best endeavours to support the Group's future investment plan towards the Target and its implementation.

BINDING NATURE OF THE MOU

Other than the provisions regulating exclusivity, confidentiality, fees and expenses and governing law in the MOU, the MOU does not have legally binding effect on the parties to the MOU.

REASONS FOR THE PROPOSED TRANSACTION

The Company is an investment holding company and the Group is principally engaged in the production and sales of grape wine in the PRC.

The Board is of the view that the Proposed Transaction, if materialized, would expand the wine purchase platform of the Group established exclusively for high to middle-end consumers, create a huge industrial value by further capital integration and establish an eco-business model of wine which is unique in the industry. Different from the prior single-trade relationships and merger-and-acquisition relationships with the upstream enterprises in the wine industry, the Proposed Transaction is an in-depth co-operation reached between the Group and the Target in respect of capital and business. The unique eco-business model of the Target and its superiority in biological resources will create a brand-new business value in multiple aspects together with the Group's whole-industrial-chain model upstream.

The Board expects that once the Proposed Transaction is executed, other than capital cooperation, both parties will, in the future, carry out a full-dimensional business cooperation to create the greatest eco-system in the wine industry in the PRC based on the extensive layout of the supply-chain production and the diversified industrial chain upstream by leveraging the Target's B2C (business to consumer), B2B (business to business) and O2O (online to offline) distribution channel network throughout the nation and the marketing capability of its brand. It will enlarge both the Group's own premium high-end wine and imported wine portfolio so as to enrich the Group's wine products portfolio and broaden its fine wine offering to its customers. In addition, the Group will foster profound integration with the Target in respect of the layout of distribution channel of products, joint development of new products and creation of industrial consumption models in various forms in a bid to provide Chinese consumers with constant surprises. The Group also plans to integrate the sales and distribution channels of the two enterprises so as to expand the sales and distribution network of the Group and effectively reduce marketing and promotion expenses which, in turn, is expected to enhance the Group's profitability in the long run. Each of the above factors is expected to bring synergy effect and realize mutual benefits and complementation with shared resources, which will provide incentives for long-term collaboration. A win-win situation for the Group and the Target will be ultimately achieved, which is critical to the future development of the Group.

In light of the above, the Board considers that the terms of the MOU, which were arrived at by the parties to the MOU after arm's length negotiation, are fair and reasonable, and the Proposed Transaction, if consummated, is in the interests of the Company and its shareholders as a whole.

PROPOSED SOURCE OF FUNDING

The Company currently intends to finance the Proposed Transaction, if materialized, partly by its internal resources and partly by capital markets financing as the Board considers appropriate.

GENERAL

The Proposed Transaction, if materialised, will constitute a notifiable transaction for the Company under the Listing Rules. The Company will comply with the applicable requirements under the Listing Rules as appropriate.

Further announcement will be made by the Company when a definitive agreement for the Proposed Transaction is entered into.

There is no assurance that the Proposed Transaction may result from the signing of the MOU. **Accordingly, shareholders of the Company and potential investors are advised to exercise caution when making any decision relating to the dealing in the securities of the Company.**

By Order of the Board
China Tontine Wines Group Limited
中國通天酒業集團有限公司
Wang Guangyuan
Chairman and Executive Director

Hong Kong, 21 August 2017

As at the date of this announcement, the Board comprises Mr. Wang Guangyuan, Mr. Zhang Hebin and Ms. Wang Lijun as executive Directors and Mr. Lai Chi Keung, Albert, Mr. Lam Yiu Por and Mr. Yang Qiang as independent non-executive Directors.

* *For identification purpose only*